

REISSUE

**LOUISIANA CANCER RESEARCH CENTER
OF L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE
HEALTH SCIENCES CENTER**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/31/07

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FINANCIAL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

**Louisiana Cancer Research Center of L.S.U. Health Sciences Center in
New Orleans/Tulane Health Sciences Center
New Orleans, Louisiana**

We have audited the accompanying Statement of Financial Position of Louisiana Cancer Research Center of L.S.U Health Sciences Center in New Orleans/Tulane Health Sciences Center (a non-profit organization) (the "Center") as of June 30, 2007 and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007 on our consideration of Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center taken as a whole. The accompanying combining Statement of Activities and the other supplementary information required by the State of Louisiana is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rebowe & Company

August 31, 2007

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2007
(with comparative totals for 2006)**

| | <u>2007</u> | <u>2006</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 22,743,310 | \$ 16,517,899 |
| Investments | 10,321,226 | - |
| Receivables | - | - |
| Grants | 4,602,891 | 16,763,385 |
| Other | <u>663,840</u> | <u>52,561</u> |
| Total Current Assets | 38,331,267 | 33,333,845 |
| Property and equipment - net | <u>6,295,842</u> | <u>5,417,533</u> |
| Total Assets | <u><u>\$ 44,627,109</u></u> | <u><u>\$ 38,751,378</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 3,928,010 | \$ 1,808,188 |
| Accrued liabilities | <u>40,985</u> | <u>24,935</u> |
| Total Current Liabilities | <u>3,968,995</u> | <u>1,833,123</u> |
| Net Assets | | |
| Unrestricted | 234,056 | 160,191 |
| Temporarily restricted | <u>40,424,058</u> | <u>36,758,064</u> |
| Total Net Assets | <u>40,658,114</u> | <u>36,918,255</u> |
| Total Liabilities and Net Assets | <u><u>\$ 44,627,109</u></u> | <u><u>\$ 38,751,378</u></u> |

See accompanying notes to the financial statements.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007
(with comparative totals for 2006)**

| | Unrestricted | Temporarily Restricted | Totals | |
|---|--------------|---------------------------|---------------|---------------|
| | | | 2007 | 2006 |
| OPERATING REVENUE | | | | |
| Grants | \$ - | \$ 18,411,563 | \$ 18,411,563 | \$ 16,763,385 |
| Interest | - | 846,931 | 846,931 | 331,647 |
| Fund raising | 68,090 | - | 68,090 | 152,250 |
| Other | 5,775 | - | 5,775 | 5,249 |
| Net assets released from restrictions | 15,913,726 | (15,913,726) | - | - |
| Total | 15,987,591 | 3,344,768 | 19,332,359 | 17,252,531 |
| OPERATING EXPENSES | | | | |
| Salaries and related expenses | 4,333,418 | - | 4,333,418 | 4,055,458 |
| Professional services | 132,591 | - | 132,591 | 144,143 |
| Operating services | 241,566 | - | 241,566 | 128,240 |
| Supplies | 2,540,802 | - | 2,540,802 | 1,422,131 |
| Travel | 220,683 | - | 220,683 | 57,323 |
| Marketing | 50,621 | - | 50,621 | 8,142 |
| Business expenses | 11,110 | - | 11,110 | 11,074 |
| Other expenses | 23,187 | - | 23,187 | 6,777 |
| Fund raising expenses | 169,206 | - | 169,206 | 32,845 |
| Depreciation | 431,834 | - | 431,834 | 402,983 |
| Cessation expenses | 7,758,708 | - | 7,758,708 | 7,768,441 |
| Total | 15,913,726 | - | 15,913,726 | 14,037,557 |
| OPERATING INCOME | 73,865 | 3,344,768 | 3,418,633 | 3,214,974 |
| NONOPERATING REVENUES | | | | |
| Investment income | - | 306,171 | 306,171 | - |
| Net change in unrealized gain on investments | - | 15,055 | 15,055 | - |
| Total | - | 321,226 | 321,226 | - |
| INCREASE IN NET ASSETS | 73,865 | 3,665,994 | 3,739,859 | 3,214,974 |
| Net Assets, Beginning of Year | 160,191 | 36,758,064 | 36,918,255 | 33,703,281 |
| Net Assets, End of Year | \$ 234,056 | \$ 40,424,058 | \$ 40,658,114 | \$ 36,918,255 |

See accompanying notes to the financial statements.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007
(with comparative totals for 2006)**

| | <u>2007</u> | <u>2006</u> |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Grant revenue | \$ 30,572,057 | \$ 17,850,000 |
| Interest income | 846,931 | 331,648 |
| Other income | 73,865 | 105,044 |
| | <u>31,492,853</u> | <u>18,286,692</u> |
| Payments to employees and suppliers and for research expenses | <u>(13,957,299)</u> | <u>(14,349,859)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>17,535,554</u> | <u>3,936,833</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (1,310,143) | (832,258) |
| Investment income | 306,171 | - |
| Purchase of investments | <u>(10,306,171)</u> | <u>-</u> |
| Net Cash Provided by (Used in) Investing Activities | <u>(11,310,143)</u> | <u>(832,258)</u> |
| Net Increase in Cash and Cash Equivalents | 6,225,411 | 3,104,575 |
| Cash and Cash Equivalents at Beginning of Year | <u>16,517,899</u> | <u>13,413,324</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 22,743,310</u></u> | <u><u>\$ 16,517,899</u></u> |
| RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | <u>\$ 3,418,633</u> | <u>\$ 3,214,974</u> |
| Adjustments to Reconcile Increase in Net Assets Provided by Operating Activities: | | |
| Depreciation | 431,834 | 402,983 |
| (Increase) Decrease in Operating Assets: | | |
| Receivables | 11,549,215 | 1,034,054 |
| Contractual services advance | - | 320,982 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts payable | <u>2,135,872</u> | <u>(1,036,160)</u> |
| Total Adjustments | <u>14,116,921</u> | <u>721,859</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 17,535,554</u></u> | <u><u>\$ 3,936,833</u></u> |

See accompanying notes to the financial statements.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Center's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Nature of Activities

Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center (the "Center") was incorporated June 7, 2002 under the laws of the State of Louisiana. The Center is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

The Center was organized for charitable, educational and scientific purposes. The primary purpose will be to conduct and support research and promote education in the diagnosis, detection, and treatment of cancer in the pursuit of obtaining the National Cancer Institute designation for its members, the Louisiana State University Health Sciences Center in New Orleans, and the Tulane University Health Sciences Center.

Financial Statement Presentation

The Center's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Center are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2007.

Basis of Accounting

The financial statements of the Center are prepared on the accrual basis of accounting.

Reporting Entity

Using the criteria established in GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Center is reported as a discretely presented component unit of the State of Louisiana since it is legally separate from and is financially accountable to the State of Louisiana.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the State of Louisiana.

Revenue Recognition

For financial reporting purposes, the Center recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions."

Grant revenue is recognized as it is earned in accordance with approved contracts.

Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash consists of deposits with financial institutions, including savings and demand deposits. These deposits are stated at cost, which approximates market.

For the purposes of the Statement of Cash Flows, the Center considers all investments with original maturities of three months or less to be cash equivalents.

Investments

The Center accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not for-Profit Organizations*. Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. For valuation purposes, fair value is measured using quoted prices in active markets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives, on a straight-line basis. It is the policy of the Center to capitalize property and equipment with an acquisition cost in excess of \$5,000.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

Reclassifications

Certain amounts from 2006 have been reclassified to conform to the 2007 financial presentation.

NOTE B - CASH

Cash includes \$22,713,413 of repurchase agreements. The repurchase agreements are secured by U.S. Treasury obligations.

At June 30, 2007, the bank balance of the Center's cash was \$559,154 of which \$174,058 was covered by federal depository insurance and the remainder was collateralized by securities in the Center's name held by the Federal Reserve Bank with market values totaling \$709,603.

NOTE C - INVESTMENTS

At June 30 2007, investments consist of the following:

| | |
|--|----------------------|
| Marketable securities, at cost: | |
| Short-term instruments | \$ 5,825,926 |
| U.S. Government securities | 4,480,245 |
| Net unrealized gain on marketable securities | <u>15,055</u> |
| Investments, at market | <u>\$ 10,321,226</u> |

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE C - INVESTMENTS (CONTINUED)

The investment management fees are netted against investment income. For the fiscal year ended June 30, 2007, \$128,818 in investment management fees was netted against investment income.

NOTE D - GRANTS RECEIVABLE AND REVENUE

| | <u>Receivable</u> | <u>Revenue</u> |
|--|---------------------|---------------------|
| Grant revenue consists of the following at June 30, 2007: | | |
| Louisiana State University Health Sciences Center in New Orleans - Cancer Research | \$ 2,736,163 | \$10,944,652 |
| Louisiana State University Health Sciences Center in New Orleans - Cessation Program | <u>1,866,728</u> | <u>7,466,911</u> |
| | <u>\$ 4,602,891</u> | <u>\$18,411,563</u> |

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2007:

| | |
|-------------------------------------|---------------------|
| Research equipment | \$ 3,698,373 |
| Office equipment | <u>57,108</u> |
| | 3,755,481 |
| Less accumulated depreciation | <u>(1,019,282)</u> |
| | 2,736,199 |
| Land | 671,808 |
| Construction in progress - building | <u>2,887,835</u> |
| | <u>\$ 6,295,842</u> |

Cancer research is currently being performed at Louisiana State University Health Sciences Center and Tulane Health Sciences Center. Construction of a combined cancer research facility was estimated to begin in October 2006 at an estimated construction cost of \$46 million but due to Hurricane Katrina, the project has been delayed. The project will commence in February 2008, however, estimated construction costs have increased to \$92 million. Construction in progress as of June 30, 2007 relates to pre-construction costs. Each of the separate university cancer centers will occupy the new facility when completed.

Depreciation expense for the year ended June 30, 2007 totaled \$431,834.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE F - RETIREMENT PLAN

All full-time Louisiana Cancer Research Center employees are eligible to participate in the 403(b) retirement plan. The existing 403(b) plan is a tax-sheltered annuity (TSA) plan, currently administered by TIAA-CREF. Although eligible employees are not required to participate in the Plan, contributions are made by the Center as part of the established benefits package. The Plan also allows for employee contributions with a matching requirement up to 3% of the employee's annual compensation. The Center contributed \$32,252 to the Plan for the year ended June 30, 2007.

NOTE G - SCHEDULE OF FUNCTIONAL EXPENSES

A Schedule of Functional Expenses for the year ended June 30, 2007 is as follows:

| | <u>Program Expenses</u> | <u>General and Administration</u> | <u>Fund Raising</u> | <u>Total</u> |
|-------------------------------|-----------------------------|---------------------------------------|-------------------------|----------------------|
| Salaries and related expenses | \$ - | \$ 267,987 | \$ - | \$ 267,987 |
| Professional services | - | 62,615 | - | 62,615 |
| Operating services | - | 210,087 | - | 210,087 |
| Supplies | - | 143,399 | - | 143,399 |
| Travel | - | 4,530 | - | 4,530 |
| Research expenses | 6,842,173 | - | - | 6,842,173 |
| Cessation expenses | 7,758,708 | - | - | 7,758,708 |
| Depreciation | - | 431,834 | - | 431,834 |
| Other expenses | - | 23,187 | - | 23,187 |
| Fund raising expenses | - | - | 169,206 | 169,206 |
| | <u>\$14,600,881</u> | <u>\$ 1,143,639</u> | <u>\$ 169,206</u> | <u>\$ 15,913,726</u> |

NOTE H - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2007.

NOTE I - ECONOMIC DEPENDENCY

The Center received ninety-four percent of its revenue from funds provided through grants administered by the State of Louisiana during the year ended June 30, 2007. The grant amounts are appropriated annually by the State of Louisiana. If significant budget cuts to the Center are made at the State level, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE J - RELATED PARTIES

Louisiana Gene Therapy Research Consortium

The Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center (the "Center") and the Louisiana Gene Therapy Research Center (LGTRC) have an affiliate relationship as they are both partnerships between the LSU Health Sciences Center in New Orleans and the Tulane Health Sciences Center. LGTRC includes both LSU Health Sciences Center in New Orleans and in Shreveport and Tulane Health Sciences Center as partners while the Center includes only L.S.U. Health Sciences Center in New Orleans and Tulane University Health Sciences Center, which are governed by governing boards with common members.

The Center has an arrangement with the LGTRC that allows for resource cost sharing. The Center and LGTRC share office space, personnel, and other related supplies and services. Overhead expenses are captured in a cost (common cost) pool and allocated to the appropriate organization based on space, usage, and "percent of effort" where applicable. LGTRC pays all shared expenses on behalf of the Center's research and cessation components. The Center reimburses LGTRC based on billings. The total billed to the Center for the fiscal year ended June 30, 2007 was \$384,038.

LSU Health Sciences Center in New Orleans

LSU Health Sciences Center in New Orleans is one of the two partner institutions that comprise the Center. The other institution is Tulane University Health Sciences Center.

As management, two members of the LSU Health Sciences Center in New Orleans are on the governing board of the Center. The Chancellor of LSU Health Sciences Center in New Orleans is currently the Chair of the Center (the position rotates annually between the Chancellor of LSU Health Sciences Center and the Senior Vice President for Tulane Health Sciences Center, as dictated by statute). The Senior Vice President for Tulane Health Sciences Center was chair for fiscal year 2007. The Vice Chancellor for Academic Affairs of LSU Health Sciences Center in New Orleans is also a voting member of the Center's Board.

As transferring agent of state funding support, LSU Health Sciences Center in New Orleans (an entity of the State) is the transferring agency on behalf of the State. Under a Cooperative Endeavor Agreement arrangement, it is responsible for transferring funds appropriated by the State of Louisiana for the Center.

As grantee, the LSU Health Sciences Center in New Orleans is allocated the Center funding support for program development (part of the mission of the Center). Transfer of funds to LSU Health Sciences Center in New Orleans for the program is governed by a fully executed operating agreement which includes an annual budget submitted by LSU Health Sciences Center

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE J - RELATED PARTIES (CONTINUED)

in New Orleans and approved by the Center's Board. The total amount billed to the Center for services rendered during the fiscal year ended June 30, 2007 was \$3,706,402.

As a vendor, LSU Health Sciences Center Auxiliary Stores provide goods and services (including research equipment, office and computer supplies) to the Center. The stores conveniently provide products and services which support the mission of the Center. The total amount billed to the Center for goods and services during the fiscal year ended June 30, 2007 was \$131,926.

Tulane University Health Sciences Center

Tulane University Health Sciences Center (TUHSC) is one of the two partner institutions that comprise the Center. The other institution is LSU Health Sciences Center in New Orleans.

As management, two members of the Tulane University Health Sciences Center are on the governing board of the Center. TUHSC's Senior Vice President (currently Vice-Chair of the Center) and Associate Senior Vice President for Health Sciences are voting members of the Center's Board.

Tulane University Health Sciences Center (Continued)

As grantee, TUHSC is allocated Center funding support for program development (part of the mission of the Center). Transfer of funds to TUHSC for the program is governed by a fully executed operating agreement which includes an annual budget submitted by TUHSC and approved by the Center's Board. The total amount billed to the Center for services rendered during the fiscal year ended June 30, 2007 was \$4,150,489.

SUPPLEMENTAL INFORMATION

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
For the Year Ended June 30, 2007**

| | Cancer Research | Cessation | Fund Raising | Property and Equipment | Total |
|---|----------------------|---------------------|------------------|------------------------------|----------------------|
| REVENUE | | | | | |
| Grants | \$ 10,944,652 | \$ 7,466,911 | \$ - | \$ - | \$ 18,411,563 |
| Interest | 707,315 | 132,425 | 7,191 | - | 846,931 |
| Investment income | 306,171 | - | - | - | 306,171 |
| Net change in unrealized gain on investments | 15,055 | - | - | - | 15,055 |
| Other | 5,775 | - | 68,090 | - | 73,865 |
| Total Revenue | 11,978,968 | 7,599,336 | 75,281 | - | 19,653,585 |
| EXPENSES | | | | | |
| Salaries and related expenses | 267,987 | - | - | - | 267,987 |
| Professional services | 62,615 | - | - | - | 62,615 |
| Operating services | 210,087 | - | - | - | 210,087 |
| Supplies | 143,399 | - | - | - | 143,399 |
| Travel | 4,530 | - | - | - | 4,530 |
| Research expenses | 6,842,173 | - | - | - | 6,842,173 |
| Cessation expenses | - | 7,758,708 | - | - | 7,758,708 |
| Depreciation | - | - | - | 431,834 | 431,834 |
| Other expenses | 23,187 | - | - | - | 23,187 |
| Fund raising expenses | - | - | 169,206 | - | 169,206 |
| Total Expenses | 7,553,978 | 7,758,708 | 169,206 | 431,834 | 15,913,726 |
| INCREASE (DECREASE) IN NET ASSETS | 4,424,990 | (159,372) | (93,925) | (431,834) | 3,739,859 |
| Property and Equipment Capitalized | (1,310,143) | - | - | 1,310,143 | - |
| NET ASSETS, BEGINNING OF YEAR | 21,307,968 | 10,066,181 | 126,573 | 5,417,533 | 36,918,255 |
| NET ASSETS, END OF YEAR | \$ 24,422,815 | \$ 9,906,809 | \$ 32,648 | \$ 6,295,842 | \$ 40,658,114 |

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors

Louisiana Cancer Research Center of L.S.U. Health Sciences Center
in New Orleans/Tulane Health Sciences Center
New Orleans, Louisiana

We have audited the financial statements of Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center (a non-profit organization), as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Cancer Research Center internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Louisiana Cancer Research Center internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Cancer Research Center internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Louisiana Cancer Research Center financial statements that is more than inconsequential will not be prevented or detected by the Louisiana Cancer Research Center internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Louisiana Cancer Research Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, management, others within the Center, Louisiana awarding agencies, Louisiana Legislative Auditor, and it is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

August 31, 2007

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007**

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A Management Letter was not issued for the year ended June 30, 2007.

B. Findings - Financial Statement Audit

There were no findings for the current year.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2007**

A. Findings - Financial Statement Audit

There were no findings for the year ended June 30, 2006.

B. Management Letter

A Management Letter was not issued for the year ended June 30, 2006.

**LOUISIANA CANCER RESEARCH CENTER OF
L.S.U. HEALTH SCIENCES CENTER
IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
CORRECTIVE ACTION PLAN
June 30, 2007**

There are no compliance and/or internal control findings as described in the Schedule of Findings and Questioned Costs. Accordingly, there is no corrective action plan required as part of this section.

**OTHER SUPPLEMENTARY INFORMATION REQUIRED BY THE
STATE OF LOUISIANA**

Louisiana Cancer Research Center
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2007

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AFFIDAVIT**

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MD&A

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STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2007

Schedule Number

LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCES CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Physical Address:
1201 N. Third Street
Claborne Building, 6th Floor, Suite 6-130
Baton Rouge, Louisiana 70802

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, Deborah C. Reeder, Vice President
of Finance of the Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New
Orleans/Tulane Health Sciences Center who duly sworn, deposes and says, that the financial
statements herewith given present fairly the financial position of Louisiana Cancer Research Center of
L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center
at June 30, 2007 and the results of operations for the year then ended in accordance with policies
and practices established by the Division of Administration or in accordance with Generally
Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board.
Sworn and subscribed before me, this 29th day of August, 2007.



Signature of Agency Official


NOTARY PUBLIC

Prepared by: Ryan Graffagnini

Title: Fiscal Operations Analyst

Telephone No.: (504) 598 1557

Date: 8/29/07

STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007

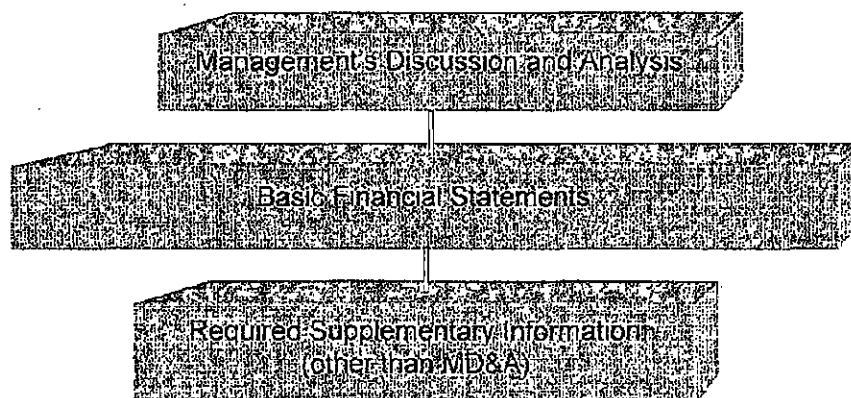
The Management's Discussion and Analysis of the Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center (Louisiana Cancer Research Center's) financial performance presents a narrative overview and analysis of the Louisiana Cancer Research Center's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the Louisiana Cancer Research Center's financial statements, which begin on page 27.

FINANCIAL HIGHLIGHTS

- ★ The Louisiana Cancer Research Center's assets exceeded its liabilities at the close of fiscal year 2007 by \$40,658,114 which represents a 10% increase over last fiscal year. The total net assets increased by \$3,739,859 (or 10%) which indicates an improving financial position.
- ★ The Louisiana Cancer Research Center's total revenue increased by \$2,401,054 (or 14%) and the net results from activities increased by \$524,885 (or 16%) compared to last year's net results.
- ★ The 10% increase in total revenue for fiscal year ended June 30, 2007 is attributable to the State's revenue estimating committee's (REC) projection and the actual realization of tobacco tax receipts for fiscal year ending June 30, 2007. The Louisiana Cancer Research Center also experience an \$821,455 (or 248%) increase in interest and investment income.
- ★ The 16% increase in net results from activities is attributable to the increase in income which includes tobacco tax collections (state grant revenue) and interest earnings on investments, offset by a modest 13% increase in expenses as compared to last year's.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the Basic Financial Statements (including the notes to the financial statements), and Required Supplementary Information.

Basic Financial Statements

The basic financial statements present information for the Louisiana Cancer Research Center as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Balance Sheet (page 28) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Louisiana Cancer Research Center is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 29 - 30) presents information showing how the Louisiana Cancer Research Center's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 31 - 32) presents information showing how Louisiana Cancer Research Center's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2007
(in thousands)

| | Total | |
|---|-----------|-----------|
| | 2007 | 2006 |
| Current and other assets | \$ 38,331 | \$ 33,334 |
| Capital assets | 6,296 | 5,418 |
| Total assets | 44,627 | 38,752 |
| Other liabilities | 3,969 | 1,808 |
| Long-term debt outstanding | | |
| Total liabilities | 3,969 | 1,833 |
| Net assets: | | |
| Invested in capital assets, net of debt | | |
| Restricted | 39,256 | 36,758 |
| Unrestricted | 1,402 | 160 |
| Total net assets | \$ 40,658 | \$ 36,918 |

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of the Louisiana Cancer Research Center increased by \$3,739,859 or (10%), from June 30, 2006 to June 30, 2007. The primary cause of this increase is the excess of revenues over expenditures for this period.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2007
(in thousands)**

| | <u>Total</u> | |
|--------------------------------------|-----------------|-----------------|
| | <u>2007</u> | <u>2006</u> |
| Operating revenues | \$ 19,332 | \$ 16,763 |
| Operating expenses | <u>15,913</u> | <u>14,038</u> |
| Operating income(loss) | <u>3,419</u> | <u>2,725</u> |
| Non-operating revenues(expenses) | <u>321</u> | <u>489</u> |
| Income(loss) before transfers | <u>3,740</u> | <u>3,214</u> |
| Transfers in | | |
| Transfers out | | |
| Net increase(decrease) in net assets | \$ <u>3,740</u> | \$ <u>3,214</u> |

The Louisiana Cancer Research Center's total revenues increased by \$2,401,054 or (14%). The total cost of all programs and services increased by \$1,876,169 (or 13%). The increase in total cost of all programs is attributable to increased program activities, specifically in the area of cancer research. Supply costs increased by \$1,118,671 or (79%) due to the expansion and continuation of cancer research activity. Research and Cessation Program expenses are expected to increase significantly as both programs continue to expand. The fiscal year ending June 30, 2007 represents the fourth (4th) full year of operation for the Louisiana Cancer Research Center.

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Louisiana Cancer Research Center had \$6,295,842 invested in a broad range of capital assets, including research and office equipment (net), construction in progress and land for the construction of a state of the art cancer research facility. (See Following Table)

This amount represents a net increase of \$878,309, (or 16%), over last year.

| | <u>2007</u> | <u>2006</u> |
|----------------------------|------------------------|-----------------|
| Land | \$ 672 | \$ 672 |
| Buildings and improvements | 2,888 | 2,410 |
| Equipment | 2,736 | 2,335 |
| Infrastructure | | |
| | <u>Totals \$ 6,296</u> | <u>\$ 5,417</u> |

This year's major additions included (in thousands):

- Research Equipment - \$833
- Construction in progress - \$478

Debt

The Louisiana Cancer Research Center had \$3,928,010 in accounts payable at year-end. Other obligations include accrued leave at \$40,985. The Louisiana Cancer Research Center had no long-term debt at year end.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues realized were consistent with budget while expenditures were approximately 16% less than budget due in part to continuous difficulty in recruiting faculty and researchers, post-Katrina.

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Louisiana Cancer Research Center elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Strategic and operational needs assessments for programs and building construction is a work in progress
- Recruitment and retention of world class faculty more difficult yet more critical in to the success of the Center; thus requiring increased investment in programs
- Meaningful and significant reductions in the number of smoking related deaths and illnesses will require substantial investment in the smoking cessation program

The Louisiana Cancer Research Center expects that next year's results will improve based on the following:

- State supplemental appropriations for the construction of the Cancer Center are expected to be approved and made available within fiscal year 2008
- Short-term investment interest earnings are expected to increase
- Program development activities including faculty recruitment should improve thus resulting in an increase in the number of NIH/NCI funded faculty and an increase in federal grants which can be used to support further program development
- The Cancer Center building needs assessment and operations plan will be completed and will result in a new and aggressive plan and timeline for construction and operation of the Cancer Center building

CONTACTING THE LOUISIANA CANCER RESEARCH CENTER'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Louisiana Cancer Research Center's finances and to show the Louisiana Cancer Research Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deborah Reeder at (504)598-1557.

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
BALANCE SHEET
AS OF JUNE 30, 2007**

ASSETS

CURRENT ASSETS:

| | | |
|--|----|------------|
| Cash and cash equivalents | \$ | 22,743,310 |
| Investments | | 10,321,226 |
| Receivables (net of allowance for doubtful accounts)(Note U) | | 5,266,732 |
| Due from other funds (Note Y) | | |
| Due from federal government | | |
| Inventories | | |
| Prepayments | | |
| Notes receivable | | |
| Other current assets | | |
| Total current assets | | 38,331,268 |

NONCURRENT ASSETS:

| | | |
|--|----|------------|
| Restricted assets (Note F): | | |
| Cash | | |
| Investments | | |
| Receivables | | |
| Notes receivable | | |
| Investments | | |
| Capital assets (net of depreciation)(Note D) | | |
| Land | | 671,808 |
| Buildings and improvements | | |
| Machinery and equipment | | 2,736,199 |
| Infrastructure | | |
| Construction in progress | | 2,887,835 |
| Other noncurrent assets | | |
| Total noncurrent assets | | 6,295,842 |
| Total assets | \$ | 44,627,110 |

LIABILITIES

CURRENT LIABILITIES:

| | | |
|---|----|-----------|
| Accounts payable and accruals (Note V) | \$ | 3,968,995 |
| Due to other funds (Note Y) | | |
| Due to federal government | | |
| Deferred revenues | | |
| Amounts held in custody for others | | |
| Other current liabilities | | |
| Current portion of long-term liabilities: | | |
| Contracts payable | | |
| Compensated absences payable (Note K) | | |
| Capital lease obligations - (Note J) | | |
| Claims and litigation payable (Note K) | | |
| Notes payable | | |
| Liabilities payable from restricted assets (Note Z) | | |
| Bonds payable | | |
| Other long-term liabilities | | |
| Total current liabilities | | 3,968,995 |

NON-CURRENT LIABILITIES:

| | | |
|---|--|-----------|
| Contracts payable | | |
| Compensated absences payable (Note K) | | |
| Claims and litigation payable (Note K) | | |
| Notes payable | | |
| Liabilities payable from restricted assets (Note Z) | | |
| Bonds payable | | |
| Other long-term liabilities | | |
| Total long-term liabilities | | |
| Total liabilities | | 3,968,995 |

NET ASSETS

| | | |
|---|----|------------|
| Invested in capital assets, net of related debt | | 6,295,842 |
| Restricted for: | | |
| Capital projects | | |
| Debt service | | |
| Unemployment compensation | | |
| Other specific purposes | | |
| Unrestricted | | 34,362,273 |
| Total net assets | | 40,658,115 |
| Total liabilities and net assets | \$ | 44,627,110 |

The accompanying notes are an integral part of this financial statement.

Statement A

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

OPERATING REVENUES

| | | |
|-----------------------------------|----|------------|
| Sales of commodities and services | \$ | |
| Assessments | | |
| Use of money and property | | |
| Licenses, permits, and fees | | |
| Other - Grants (LSU HSC) | | 18,411,563 |
| Other - Fundraising | | 68,090 |
| Total operating revenues | | 18,479,653 |

OPERATING EXPENSES

| | | |
|----------------------------|--|------------|
| Cost of sales and services | | |
| Administrative | | 15,481,892 |
| Depreciation | | 431,834 |
| Amortization | | |
| Total operating expenses | | 15,913,726 |
| Operating income(loss) | | 2,565,927 |

NON-OPERATING REVENUES(EXPENSES)

| | | |
|--|--|-----------|
| State appropriations | | |
| Intergovernmental revenues(expenses) | | |
| Taxes | | |
| Use of money and property | | |
| Gain on disposal of fixed assets | | |
| Loss on disposal of fixed assets | | |
| Federal grants | | |
| Interest expense | | |
| Other revenue | | 1,173,932 |
| Other expense | | |
| Total non-operating revenues(expenses) | | 1,173,932 |

| | | |
|---|--|-----------|
| Income(loss) before contributions and transfers | | 3,739,859 |
|---|--|-----------|

| | | |
|---|--|--|
| Capital contributions | | |
| Extraordinary item - Loss on impairment of capital assets | | |
| Transfers in | | |
| Transfers out | | |

| | | |
|----------------------|--|-----------|
| Change in net assets | | 3,739,859 |
|----------------------|--|-----------|

| | | |
|-------------------------------|--|------------|
| Total net assets -- beginning | | 36,918,255 |
|-------------------------------|--|------------|

| | | |
|----------------------------|----|------------|
| Total net assets -- ending | \$ | 40,658,114 |
|----------------------------|----|------------|

The accompanying notes are an integral part of this financial statement.

Statement B

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

| | | Program Revenues | | |
|--|---------------|------------------|---------------|---------------|
| | | Operating | Capital | Net (Expense) |
| | Expenses | Charges for | Grants and | Revenue and |
| | | Services | Grants and | Changes in |
| | | Contributions | Contributions | Net Assets |
| Entity | \$ 15,913,726 | \$ 18,411,563 | \$ | \$ 2,497,837 |
| General revenues: | | | | |
| Taxes | | | | |
| State appropriations | | | | |
| Grants and contributions not restricted to specific programs | | | | |
| Interest | | | | 1,168,157 |
| Miscellaneous | | | | |
| Special items | | | | 73,865 |
| Extraordinary item - Loss on impairment of capital assets | | | | |
| Transfers | | | | |
| Total general revenues, special items, and transfers | | | | 1,242,022 |
| Change in net assets | | | | 3,739,859 |
| Net assets - beginning as restated | | | | 36,918,255 |
| Net assets - ending | | | | \$ 40,658,114 |

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

| | | |
|---|---------------|--------------|
| Cash flows from operating activities | | |
| Cash received from customers (Grants) | \$ 30,572,057 | |
| Cash payments to suppliers for goods and services | (13,705,363) | |
| Cash payments to employees for services | (251,937) | |
| Payments in lieu of taxes | | |
| Internal activity-payments to other funds | | |
| Claims paid to outsiders | | |
| Other operating revenues(expenses) | 920,797 | |
| Net cash provided(used) by operating activities | | 17,535,554 |
| Cash flows from non-capital financing activities | | |
| State appropriations | | |
| Proceeds from sale of bonds | | |
| Principal paid on bonds | | |
| Interest paid on bond maturities | | |
| Proceeds from issuance of notes payable | | |
| Principal paid on notes payable | | |
| Interest paid on notes payable | | |
| Operating grants received | | |
| Transfers in | | |
| Transfers out | | |
| Other | | |
| Net cash provided(used) by non-capital financing activities | | - |
| Cash flows from capital and related financing activities | | |
| Proceeds from sale of bonds | | |
| Principal paid on bonds | | |
| Interest paid on bond maturities | | |
| Proceeds from issuance of notes payable | | |
| Principal paid on notes payable | | |
| Interest paid on notes payable | | |
| Acquisition/construction of capital assets | (1,310,143) | |
| Proceeds from sale of capital assets | | |
| Capital contributions | | |
| Other | | |
| Net cash provided(used) by capital and related financing activities | | (1,310,143) |
| Cash flows from investing activities | | |
| Purchases of investment securities | (10,306,171) | |
| Proceeds from sale of investment securities | | |
| Interest and dividends earned on investment securities | 306,171 | |
| Net cash provided(used) by investing activities | | (10,000,000) |
| Net increase(decrease) in cash and cash equivalents | | 6,225,411 |
| Cash and cash equivalents at beginning of year | | 16,517,899 |
| Cash and cash equivalents at end of year | \$ | 22,743,310 |

Statement D (continued)

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

| | | |
|---|------------|---------------|
| Operating income(loss) | | \$ 3,418,634 |
| Adjustments to reconcile operating income(loss) to net cash | | |
| Depreciation/amortization | 431,834 | |
| Provision for uncollectible accounts | | |
| Other | | |
| Changes in assets and liabilities: | | |
| (Increase)decrease in accounts receivable, net | 11,549,214 | |
| (Increase)decrease in due from other funds | | |
| (Increase)decrease in prepayments | | |
| (Increase)decrease in inventories | | |
| (Increase)decrease in other assets | | |
| Increase(decrease) in accounts payable and accruals | 2,135,872 | |
| Increase(decrease) in compensated absences payable | | |
| Increase(decrease) in due to other funds | | |
| Increase(decrease) in deferred revenues | | |
| Increase(decrease) in other liabilities | | |
| Net cash provided(used) by operating activities | | \$ 17,535,554 |

Schedule of noncash investing, capital, and financing activities:

| | | |
|--|-----------|----------|
| Borrowing under capital lease | \$ | |
| Contributions of fixed assets | | |
| Purchases of equipment on account | | |
| Asset trade-ins | | |
| Other (specify) | | |
| | | |
| | | |
| Total noncash investing, capital, and financing activities: | \$ | - |

The accompanying notes are an integral part of this statement.

Statement D (concluded)

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INTRODUCTION

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

Louisiana Cancer Research Center of L.S.U. Health Sciences Center in New Orleans/Tulane Health Sciences Center (the "Corporation") was incorporated June 7, 2002. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

The Corporation was organized for charitable, educational and scientific purposes. The primary purpose will be to conduct and support research and promote education in the diagnosis, detection, and treatment of cancer in the pursuit of obtaining the National Center Institute designation for its members, the Louisiana State University Health Sciences Center in New Orleans, and the Tulane University Health Sciences Center.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2007.

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The Louisiana Cancer Research Center's budget allocation is completed based on the guidelines set and/or approved by the Center's Board of Directors. The appointed officials considered the following factors and indications when setting next year's budget and budget allocations.

- Strategic needs assessments for programs and building construction must be completed due to delays, interruptions and changes caused by Hurricane Katrina and its aftermath.
- Construction of a new Cancer Center building has been delayed pending reassessment.
- Recruitment and retention of world class faculty is more difficult yet more critical in light of Hurricane Katrina; thus requiring increased investment in programs
- Meaningful and significant reductions in the number of smoking related deaths and illnesses will require substantial investment in the smoking cessation program

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\$ 18,411,563

DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.) See Appendix B for information related to Note C.

DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana Cancer Research Center may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana Cancer Research Center may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by the three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2007, consisted of the following:

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| | <u>Cash</u> | <u>Certificates of Deposit</u> | <u>Other Money Market & Repurchase Agreements</u> | <u>Total</u> |
|---|--------------|------------------------------------|---|---------------|
| Balance per agency books | \$ (329,257) | \$ _____ | \$ 23,072,567 | \$ 22,743,310 |
| Deposits in bank accounts per bank | \$ 200,000 | \$ _____ | \$ 23,072,567 | \$ 23,272,567 |
| Bank balances of deposits exposed to custodial credit risk: | | | | |
| a. Deposits not insured and uncollateralized | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| b. Deposits not insured and collateralized with securities held by the pledging institution. | \$ 100,000 | \$ _____ | \$ 285,096 | \$ 385,096 |
| c. Deposits not insured and collateralized with securities held by the pledging institution's trust department or agency <u>but not in the entity's name.</u> | \$ _____ | \$ _____ | \$ 22,713,413 | \$ 22,713,413 |

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Balance per agency books" due to outstanding items.

The following is a breakdown by banking institution, program, account number, and amount of the "Deposits in bank accounts per bank" balances shown above:

| <u>Banking Institution</u> | <u>Account Number</u> | <u>Amount</u> |
|----------------------------|-----------------------|---------------|
| 1. Whitney National Bank | 715-112-961 | \$ 19,777,850 |
| 2. Whitney National Bank | 715-112-988 | 3,135,563 |
| 3. Whitney National Bank | 715-760-769 | 285,096 |
| 4. Regions National Bank | 4305090032 | 74,058 |
| Total | | \$ 23,272,567 |

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

| | |
|------------------------|----------|
| Cash in State Treasury | \$ _____ |
| Petty cash | \$ _____ |

2. INVESTMENTS

The Louisiana Cancer Research Center of L.S.U. Health Science Center in New Orleans/Tulane Health Sciences Center does/does not maintain investment accounts as authorized by _____ (Note legal provisions authorizing investments by (BTA)).

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent but not in the entity's name. Repurchase agreements are not subject to credit risk if the

As of and for the year ended June 30, 2007

securities underlying the repurchase agreement are exempt from credit risk disclosure.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

| | Investments Exposed to Custodial Credit Risk | | All Investments Regardless of Custodial Credit Risk Exposure | |
|----------------------------|--|--|---|------------------------------|
| | Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent Not in <u>Entity's Name</u> | Uninsured, *Unregistered, and Held by <u>Counterparty</u> | Reported Amount Per Balance <u>Sheet</u> | Fair <u>Value</u> |
| <u>Type of Investment</u> | | | | |
| Repurchase agreements | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| U.S. Government securities | _____ | _____ | 4,494,160 | 4,494,160 |
| U. S. Agency Obligations | _____ | _____ | _____ | _____ |
| Common & preferred stock | _____ | _____ | _____ | _____ |
| Commercial paper | _____ | _____ | 5,827,066 | 5,827,066 |
| Corporate bonds | _____ | _____ | _____ | _____ |
| Other: (identify) | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ | _____ |
| Total investments | \$ - \$ | - \$ | 10,321,226 | \$ 10,321,226 |

* unregistered - not registered in the name of the government or entity

3. DERIVATIVES

The institution ~~does~~ does not (circle one) invest in derivatives as part of its investment policy. Accordingly, the exposure to risk from these investments is as follows:

credit risk _____
market risk _____
legal risk _____

Technical Bulletin 2003-1 requires certain note disclosures for derivatives that are not reported at fair value on the Statement of Net Assets. See Appendix B for more details and disclose any of these required note disclosures below, if applicable.

4. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK, AND FOREIGN CURRENCY RISK DISCLOSURES

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A. Credit Risk of Debt Investments

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used (Moody's, S&P, etc.). All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

| <u>Rating Agency</u> | <u>Rating</u> | <u>Fair Value</u> |
|----------------------|---------------|-------------------|
| S&P | AAA | \$ 4,494,160 |
| | | |
| | | |
| | | |
| | | |
| | Total | \$ 4,494,160 |

B. Interest Rate Risk of Debt Investments

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. (Note – This is the prescribed method, segmented time distribution, for the CAFR. Also, total debt investments reported in this table should equal total debt investments reported in Section A – Credit Risk of Debt Investments.)

| <u>Type of Debt Investment</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | |
|-------------------------------------|-------------------|---|--------------|---------------|------------------------|
| | | <u>Less Than 1</u> | <u>1 - 5</u> | <u>6 - 10</u> | <u>Greater Than 10</u> |
| U.S. Government obligations | \$ | \$ | \$ | \$ | \$ |
| U.S. Agency obligations | 4,494,160 | 4,494,160 | | | |
| U.S. Treasury obligations | | | | | |
| Mortgage backed securities | | | | | |
| Collateralized mortgage obligations | | | | | |
| Corporate bonds | | | | | |
| Other bonds | | | | | |
| Mutual bond funds | | | | | |
| Other | | | | | |
| Total debt investments | \$ 4,494,160 | \$ 4,494,160 | \$ - | \$ - | \$ - |

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, etc.) of the investment.

| <u>Debt Investment</u> | <u>Fair Value</u> | <u>Terms</u> |
|------------------------|-------------------|--------------|
| NONE | \$ | |
| | | |
| | | |
| Total | \$ - | |

C. Concentration of Credit Risk

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List, by amount and issuer, investments in any one issuer that represents 5% or more of total external investments (not including U.S. government securities, mutual funds, and investment pools).

| <u>Issuer</u> | <u>Amount</u> | <u>% of Total Investments</u> |
|---------------|---------------|-------------------------------|
| NONE | \$ | |
| | | |
| | | |
| Total | \$ | |

D. Foreign Currency Risk

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies); list by currency denomination and investment type, if applicable.

| <u>Foreign Currency</u> | <u>Fair Value in U.S. Dollars</u> | |
|-------------------------|-----------------------------------|---------------|
| | <u>Bonds</u> | <u>Stocks</u> |
| NONE | \$ | \$ |
| | | |
| | | |
| Total | \$ | \$ |

5. POLICIES

Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

No formal policy exists.

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS

- Investments in pools managed by other governments or mutual funds N/A
- Securities underlying reverse repurchase agreements N/A
- Unrealized investment losses NONE
- Commitments as of June 30, 2007, to resell securities under yield maintenance repurchase agreements:

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1. Carrying amount and market value at June 30 of securities to be resold N/A

2. Description of the terms of the agreement N/A

e. Losses during the year due to default by counterparties to deposit or investment transactions NONE

f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet
NONE

Legal or Contractual Provisions for Reverse Repurchase Agreements

g. Source of legal or contractual authorization for use of reverse repurchase agreements N/A

h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year NONE

Reverse Repurchase Agreements as of Year-End

i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest N/A

j. Commitments on June 30, 2007 to repurchase securities under yield maintenance agreements
NONE

k. Market value on June 30, 2007 of the securities to be repurchased N/A

l. Description of the terms of the agreements to repurchase N/A

m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements
NONE

n. Amounts recovered from prior-period losses which are not separately shown on the operating statement NONE

Fair Value Disclosures

o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices Fair value is based upon quoted market prices

p. Basis for determining which investments, if any, are reported at amortized cost N/A

q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool N/A

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-
- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares N/A
-
- s. Any involuntary participation in an external investment pool NONE
-
- t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining fair value and the reasons for having had to make such an estimate N/A
-
- u. Any income from investments associated with one fund that is assigned to another fund NO
-

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D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

| | Year ended June 30, 2007 | | | | | | |
|---|--------------------------|-------------------------------|---------------------------------|-------------------|-------------------|-------------|----------------------|
| | Balance 6/30/2006 | Prior Period Adjustment | Adjusted Balance 7/1/2006 | Additions | Transfers* | Retirements | Balance 6/30/2007 |
| Capital assets not being depreciated | | | | | | | |
| Land | \$ 671,808 | \$ | \$ 671,808 | \$ | \$ | \$ | \$ 671,808 |
| Non-depreciable land improvements | | | - | | | | - |
| Capitalized collections | | | - | | | | - |
| Construction in progress | 2,410,253 | | 2,410,253 | | 477,582 | | 2,887,835 |
| Total capital assets not being depreciated | \$ 3,082,061 | \$ - | \$ 3,082,061 | \$ - | \$ 477,582 | \$ - | \$ 3,559,643 |
| Other capital assets | | | | | | | |
| Furniture, fixtures, and equipment | \$ 2,922,919 | \$ | \$ 2,922,919 | \$ 832,562 | \$ | \$ | \$ 3,755,481 |
| Less accumulated depreciation | (587,447) | | (587,447) | (431,835) | | | (1,019,282) |
| Total furniture, fixtures, and equipment | 2,335,472 | - | 2,335,472 | 400,727 | - | - | 2,736,199 |
| Buildings and improvements | | | - | | | | - |
| Less accumulated depreciation | | | - | | | | - |
| Total buildings and improvements | - | - | - | - | - | - | - |
| Depreciable land improvements | | | - | | | | - |
| Less accumulated depreciation | | | - | | | | - |
| Total depreciable land improvements | - | - | - | - | - | - | - |
| Infrastructure | | | - | | | | - |
| Less accumulated depreciation | | | - | | | | - |
| Total infrastructure | - | - | - | - | - | - | - |
| Total other capital assets | \$ 2,335,472 | \$ - | \$ 2,335,472 | \$ 400,727 | \$ - | \$ - | \$ 2,736,199 |
| Capital Asset Summary: | | | | | | | |
| Capital assets not being depreciated | \$ 3,082,061 | \$ - | \$ 3,082,061 | \$ - | \$ 477,582 | \$ - | \$ 3,559,643 |
| Other capital assets, at cost | 2,922,919 | - | 2,922,919 | 832,562 | - | - | 3,755,481 |
| Total cost of capital assets | 6,004,980 | - | 6,004,980 | 832,562 | 477,582 | - | 7,315,124 |
| Less accumulated depreciation | (587,447) | - | (587,447) | (431,835) | - | - | (1,019,282) |
| Capital assets, net | \$ 5,417,533 | \$ - | \$ 5,417,533 | \$ 400,727 | \$ 477,582 | \$ - | \$ 6,295,842 |

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

E. INVENTORIES – N/A

F. RESTRICTED ASSETS – N/A

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G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana Cancer Research Center has the following policy on annual and sick leave:

Employees of the center accrue leave immediately upon hire, but at varying rates based on classification and years of service. Vacation and sick time are accrued on a monthly basis. Upon termination, employees will be paid for accrued vacation leave to be calculated at the employee's hourly rate upon termination. Accrued annual and sick leave at June 30, 2007 amounted to \$ 40,985.

2. COMPENSATORY LEAVE – N/A

H. RETIREMENT SYSTEM

All full-time Louisiana Cancer Research Center employees are eligible to participate in the 403(b) retirement plan. The existing 403(b) plan is a tax-sheltered annuity (TSA) plan, currently administered by TIAA-CREF. Although eligible employees are not required to participate in the plan, contributions are made by the Center as part of the established benefits package. The plan allows for employee contributions, with a matching requirement of up to 3% of the employee's annual compensation. The Center's matching contribution amounted to \$32,252 for the year ended June 30, 2007.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS – N/A

J. LEASES – N/A

K. LONG-TERM LIABILITIES – N/A

L. CONTINGENT LIABILITIES – N/A

M. RELATED PARTY TRANSACTIONS

Louisiana Gene Therapy Research Consortium

The Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center (the "Center") and the Louisiana Gene Therapy Research Center (LGTRC) have an affiliate relationship as they are both partnerships between the LSU Health Sciences Center in New Orleans and the Tulane Health Sciences Center. LGTRC includes both LSU Health Sciences Center in New Orleans and in Shreveport and Tulane Health Sciences Center as partners while the Center includes only L.S.U. Health Sciences Center in New Orleans and Tulane University Health Sciences Center, which are governed by governing boards with common members.

The Center has an arrangement with the LGTRC that allows for resource cost sharing. The Center and LGTRC share office space, personnel, and other related supplies and services. Overhead expenses are captured in a cost (common cost) pool and allocated to the appropriate organization based on space, usage, and "percent of effort" where applicable. LGTRC pays all shared expenses on behalf of the Center's research and cessation components. The Center reimburses LGTRC based on billings. The total billed to the Center for the fiscal year ended June 30, 2007 was \$384,038.

LSU Health Sciences Center in New Orleans

LSU Health Sciences Center in New Orleans is one of the two partner institutions that comprise the Center. The other institution is Tulane University Health Sciences Center.

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LSU Health Sciences Center in New Orleans (Continued)

As management, two members of the LSU Health Sciences Center in New Orleans are on the governing board of the Center. The Chancellor of LSU Health Sciences Center in New Orleans is currently the Chair of the Center (the position rotates annually between the Chancellor of LSU Health Sciences Center and the Senior Vice President for Tulane Health Sciences Center, as dictated by statute). The Senior Vice President for Tulane Health Sciences Center was chair for Fiscal Year 2007. The Vice Chancellor for Academic Affairs of LSU Health Sciences Center in New Orleans is also a voting member of the Center's Board.

As transferring agent of state funding support, LSU Health Sciences Center in New Orleans (an entity of the State) is the transferring agency on behalf of the State. Under a Cooperative Endeavor Agreement arrangement, it is responsible for transferring funds appropriated by the State of Louisiana for the Center.

As grantee, the LSU Health Sciences Center in New Orleans is allocated the Center funding support for program development (part of the mission of the Center). Transfer of funds to LSU Health Sciences Center in New Orleans for the program is governed by a fully executed operating agreement which includes an annual budget submitted by LSU Health Sciences Center in New Orleans and approved by the Center's Board. The total amount billed to the Center for services rendered during the fiscal year ended June 30, 2007 was \$3,706,402.

As a vendor, LSU Health Sciences Center Auxiliary Stores provide goods and services (including research equipment, office and computer supplies) to the Center. The stores conveniently provide products and services which support the mission of the Center. The total amount billed to the Center for goods and services during the fiscal year ended June 30, 2007 was \$131,926.

Tulane University Health Sciences Center

Tulane University Health Sciences Center (TUHSC) is one of the two partner institutions that comprise the Center. The other institution is LSU Health Sciences Center in New Orleans.

As management, two members of the Tulane University Health Sciences Center are on the governing board of the Center. TUHSC's Senior Vice President (currently Vice-Chair of the Center) and Associate Senior Vice President for Health Sciences are voting members of the Center's Board.

As grantee, TUHSC is allocated Center funding support for program development (part of the mission of the Center). Transfer of funds to TUHSC for the program is governed by a fully executed operating agreement which includes an annual budget submitted by TUHSC and approved by the Center's Board. The total amount billed to the Center for services rendered during the fiscal year ended June 30, 2007 was \$4,150,489.

- N. ACCOUNTING CHANGES – N/A**
- O. IN-KIND CONTRIBUTIONS – N/A**
- P. DEFEASED ISSUES – N/A**
- Q. COOPERATIVE ENDEAVORS – SEE SCHEDULE 16**
- R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS) – N/A**
- S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS – N/A**
- T. SHORT-TERM DEBT – N/A**
- U. DISAGGREGATION OF RECEIVABLE BALANCES**

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Receivables at June 30, 2007, were as follows:

| Activity | Customer (Grant) Receivables | Taxes | Receivables from other Governments | Other Receivables | Total Receivables |
|--|------------------------------------|-------|--|----------------------|----------------------|
| Cancer Research Program | \$ 2,736,163 | \$ - | \$ - | \$ 9,840 | \$ 2,746,003 |
| Cessation Program | 1,866,728 | - | - | 654,000 | 2,520,728 |
| Fund Raising | - | - | - | - | - |
| Gross receivables | \$ 4,602,891 | \$ - | \$ - | \$ 663,840 | \$ 5,266,731 |
| Less allowance for uncollectible accounts | - | - | - | - | - |
| Receivables, net | \$ 4,602,891 | \$ - | \$ - | \$ 663,840 | \$ 5,266,731 |

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2007, were as follows:

| Activity | Vendors | Salaries and Benefits | Accrued Interest | Other Payables | Total Payables |
|-------------------------|--------------|-----------------------------|---------------------|-------------------|-------------------|
| Cancer Research Program | \$ 2,209,193 | \$ - | \$ - | \$ 40,985 | \$ 2,250,178 |
| Cessation Program | 1,718,817 | - | - | - | 1,718,817 |
| Fund Raising | - | - | - | - | - |
| Total payables | \$ 3,928,010 | \$ - | \$ - | \$ 40,985 | \$ 3,968,995 |

W. SUBSEQUENT EVENTS – N/A

X. SEGMENT INFORMATION – N/A

Y. DUE TO/DUE FROM AND TRANSFERS – N/A

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS – N/A

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS – N/A

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46) – N/A

CC. IMPAIRMENT OF CAPITAL ASSETS – N/A

DD. EMPLOYEE TERMINATION BENEFITS

Termination benefits are benefits, other than salaries and wages, that are provided by employers as settlement for involuntary terminations initiated by management, or as an incentive for voluntary terminations initiated by employees. Involuntary termination benefits include benefits such as payment for unused leave balances. Voluntary termination benefits include benefits such as enhanced early retirement options resulting from an approved early retirement plan and payment for unused leave balances.

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Other termination benefits may include:

1. Early retirement incentives, such as cash payments, enhancement to defined benefit formula
2. Health care coverage when none would otherwise be provided (COBRA)
3. Compensated absences, including payments for leave balances
4. Payments due to early release from employment contracts

GASB 47 requires the following disclosures about an employer's accounting for employee termination benefits:

1. A description of the termination benefit arrangement(s)
2. Period the employer becomes obligated
3. Number of employees affected
4. Cost of termination benefits
5. Type of benefit(s) provided
6. The period of time over which the benefits are expected to be provided
7. If the termination benefit affects the defined benefit pension (OPEB) obligations, disclose the change in the actuarial accrued liability for the pension or OPEB plan attributable to the termination benefit
8. When termination liabilities are reported, disclose the significant methods and assumptions used to determine the liabilities to be disclosed (for as long as the liability is reported)

Substantially all employees are eligible for termination benefits upon separation from the state. The agency recognizes the cost of providing these benefits as expenditures when paid during the year. For 2007, the cost of providing those benefits for 0 voluntary terminations totaled \$0. For 2007, the cost of providing those benefits for 0 involuntary terminations totaled \$0.

The liability for the accrued voluntary terminations benefits payable at June 30, 2007 is \$0. This liability consists of 0. The liability for the accrued involuntary terminations benefits payable at June 30, 2007 is \$ 0. This liability consists of 0 involuntary terminations.

If a termination benefit is not recognized because the expected benefits are not estimable, the employer should disclose that fact. Briefly describe termination benefits provided to employees as discussed above. If none, please state that fact.

The Louisiana Cancer Research Center compensates employees for accrued vacation leave balances upon voluntary or involuntary termination. Although employees can continue to access health benefits under COBRA, the entire premium is paid by the employee if he/she wishes to continue coverage. There are no other termination benefits provided by the Louisiana Cancer Research Center.

A terminated employee can continue to access health benefits, however, if the COBRA participant is paying the ENTIRE premium then there is no state contribution on behalf of this individual. Therefore, when a terminated employee pays 100% of the premium, the state would not have a termination liability.

SCHEDULE 1

**STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF NOTES PAYABLE
June 30, 2007**

| Issue | Date of Issue | Original Issue | Principal Outstanding 6/30/PY | Redeemed (Issued) | Principal Outstanding 6/30/CY | Interest Rates | Interest Outstanding 6/30/CY |
|-------|------------------|-------------------|-------------------------------------|----------------------|-------------------------------------|-------------------|------------------------------------|
| NONE | | \$ | \$ | \$ | \$ | | \$ |
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| Total | | \$ | \$ | \$ | \$ | | \$ |

*Send copies of new amortization schedules

SCHEDULE 3-A

STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE
June 30, 2007

| Issue | Date of Issue | Original Issue | Principal Outstanding 6/30/PY | Redeemed (Issued) | Principal Outstanding 6/30/CY | Interest Rates | Interest Outstanding 6/30/CY |
|-------|------------------|-------------------|-------------------------------------|----------------------|-------------------------------------|-------------------|------------------------------------|
| NONE | | \$ | \$ | \$ | \$ | | \$ |
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| Total | | \$ | \$ | \$ | \$ | | \$ |

*Send copies of new amortization schedules

STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2007

| <u>Fiscal Year</u> <u>Ending:</u> | <u>Payment</u> | <u>Interest</u> | <u>Principal</u> | <u>Balance</u> |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 2008 | \$ <u>NONE</u> | \$ <u> </u> | \$ <u> </u> | \$ <u> --</u> |
| 2009 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2010 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2011 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2012 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2013-2017 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2018-2022 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2023-2027 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| 2028-2032 | <u> </u> | <u> </u> | <u> </u> | <u> --</u> |
| Total | \$ <u> --</u> | \$ <u> --</u> | \$ <u> --</u> | \$ <u> --</u> |

SCHEDULE 4-A

STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2007

| <u>Fiscal Year</u> <u>Ending:</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------------------|------------------|-----------------|
| 2008 | \$ NONE | \$ |
| 2009 | | |
| 2010 | | |
| 2011 | | |
| 2012 | | |
| 2013-2017 | | |
| 2018-2022 | | |
| 2023-2027 | | |
| 2028-2032 | | |
| Total | \$ | \$ |

SCHEDULE 4-B

STATE OF LOUISIANA
LOUISIANA CANCER RESEARCH CENTER OF L.S.U. HEALTH SCIENCE CENTER IN
NEW ORLEANS/TULANE HEALTH SCIENCES CENTER
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2007

| <u>Fiscal Year</u> <u>Ending:</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------------------|------------------|-----------------|
| 2008 | \$ NONE | \$ |
| 2009 | | |
| 2010 | | |
| 2011 | | |
| 2012 | | |
| 2013 | | |
| 2014 | | |
| 2015 | | |
| 2016 | | |
| 2017 | | |
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| 2025 | | |
| 2026 | | |
| 2027 | | |
| 2028 | | |
| 2029 | | |
| 2030 | | |
| 2031 | | |
| 2032 | | |
| Total | \$ — | \$ — |

SCHEDULE 4-C

STATE OF LOUISIANA

LOUISIANA CANCER RESEARCH CENTER OF L.S.U HEALTH SCIENCE CENTER IN NEW ORLEANS/TULANE HEALTH SCIENCES CENTER

COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change.

| | <u>2007</u> | <u>2006</u> | <u>Difference</u> | <u>Percentage Change</u> |
|-------------------|---------------|---------------|-------------------|------------------------------|
| 1) Revenues | \$ 19,953,585 | \$ 17,252,637 | \$ 2,700,948 | 16% |
| Expenses | 15,913,726 | 14,037,663 | 1,876,063 | 13% |
| 2) Capital assets | 6,295,842 | 5,417,553 | 878,289 | 16% |
| Long-term debt | - | - | - | - |
| Net Assets | 40,658,114 | 36,918,255 | 3,739,859 | 10% |

Explanation for change: Revenues increased by 16% because tobacco tax collections increased for fiscal year 2007. Also, interest income for the Center increased significantly due to rising short term interest rates and other more diversified investment strategies.

Expenses increased by 13% due to increased cancer research activities. Four new faculty members were recruited and funded this fiscal year.

Net assets increased by 10% primarily due to the overall increase in revenue from tobacco tax collections (state grant) and interest income.

AGENCY NAME _____
AGENCY NUMBER _____

| Contract Financial Management System # | Parties to the Coop | Brief Description of the Coop | Multi-year, One-Time, or Other Appropriation | Funding Source per Coop Agreement based on Net Liability as of June 30, 2007 | | | | | |
|---|---------------------------|--|---|---|-------------|--------------------|--------------------|-----------------|-------------|
| | | | | 100% State | 100% SGR | 100% Stat. Ded. | 100% G.O. Bonds | 100% Federal | 100% IAT |
| NONE | | | | | | | | | |
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| | | TOTAL | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

51